



COMMISSION ON INSURANCE

COUNTY OF LOS ANGELES

Scott J. Svonkin
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William K. Callagy
Michael G. Cheung
Rickey Ivie
Don Lee
Curren D. Price, Jr.
Rose Reets
Patricia Torres

MINUTES

Meeting of January 27, 2005
Kenneth Hahn Hall of Administration, Room 372
500 West Temple Street
Los Angeles, CA 90012

Commissioners Present: William Callagy, Michael Cheung, Dan Falcon, Rose Reets, Scott Svonkin, Patricia Torres (temporarily absent)

Commissioners Absent: Barry Binder, Rickie Ivie, Curren Price, Don Lee

CALL TO ORDER

In the absence of a quorum, Chairperson Svonkin called the meeting to order as a Committee of the Whole at 10:00 a.m.

APPROVAL OF JUNE 10, 2004 AND SEPTEMBER 2, 2004 MEETING MINUTES

Due to a lack of a quorum, the approval of minutes was deferred to the next Commission meeting.

AREAS OF LOS ANGELES COUNTY CURRENTLY UNDERSERVED BY THE AUTO INSURANCE INDUSTRY

Chair Svonkin announced the 60th Anniversary of the liberation of Auschwitz, and the Commission's work to correct the injustice to the victims of the Holocaust and their families. Commissioner Garamendi and his staff were complimented for the support given to the Jewish community.

Eric Bauman, Deputy Commissioner Community Relations, California Department of Insurance was introduced. Mr. Bauman reported on the following:

Commissioner Garamendi negotiated a settlement with New York Life Insurance Company providing payouts of \$20 million to the heirs of the victims of the Armenian Genocide. A portion of the settlement was set aside to aide a group of selected Armenian-American organizations whose purpose is to assist newly arriving Armenians to America.

Commissioner Garamendi presented the first five checks in New York City yesterday from the settlement to selected Armenian-American organizations, and additional

checks will be presented to organizations in Los Angeles later this month. The Armenian settlement was based on the model of previous work completed for Holocaust and reparation survivors. However, the International Commission ("ICHEK") seems to stymie resolution, and if this continues fewer victims will receive settlements due to their advanced age and mortality rate. Nonetheless, Commissioner Garamendi continues to aggressively pursue this issue and has urged the ICHEK Commission and its Chair to do the right thing. It is anticipated that survivors and their heirs will eventually receive a settlement.

Commissioner Garamendi announced, over a year ago, about a combination of programs titled "Emerging Communities" which are a series of initiatives that are designed to promote affordable insurance for low income citizens. Mr. Bauman noted that the County is in an extraordinary situation in that California law mandates that every driver should show proof of liability insurance, however, in Los Angeles County auto insurance is very expensive and rates are generally based on zip codes. The problem with determining insurance rates by zip code is that rates are usually higher in poorer communities and communities of color. Therefore, many low-income drivers remain uninsured.

(Commissioner Cheung joined the meeting)

Commissioner Garamendi conducted Townhall Meetings in Van Nuys, South Los Angeles, Santa Ana, Fresno, Shasta, San Diego, and Alameda Counties to analyze how to change geographic rating to make insurance more equitable and reasonable for drivers, and assure that the auto insurance industry remains in business. However, it was discovered that eliminating zip code ratings would not solve the plight of low-income drivers. For example, if the Commissioner abolished zip code ratings and equalized rates, the rates in low-income areas would not reduce low enough to become affordable and drivers would continue to drive without insurance.

In 1999 the California Low Cost Automobile Insurance Pilot was created. The program's purpose is to provide low-cost liability insurance to Los Angeles and San Francisco County drivers who have a good driving record and demonstrate a financial need. Since the inception of the program 10,000 drivers have been enrolled.

(Commissioner Falcon was excused from the meeting)

Mr. Bauman noted that after an analysis and several months of reviewing the low-cost insurance program, it was discovered that: (1) no one knew about the program; (2) no available marketing program exists to inform the public; and (3) insurance agents were adverse to writing the low-cost automobile insurance because completing the paperwork was an added burden and only a \$40 per policy commission was provided.

(Commissioner Torres joined the meeting)

The Commissioner's Office has been conducting a grass roots campaign without a budget to market the program through community based organizations, local newspapers, on-line insurance filing, and has been available to agents to assist in assessing clients' eligibility, and new agents have been contacted to encourage them to write insurance policies. Commitments from nine top insurance companies and brokerages have been secured to offer and write the policies.

Within 4 months of the kickoff of the grass root marketing campaign in August 2004, inquiries rose from 2,600 to 8,800 during the ensuing four months. There were 3,300 filed, with an 83% acceptance rate. Also, 86% of the drivers who filed for the program were uninsured at the time of filing. To date, the low-cost auto insurance program has 17,000 drivers insured, and the largest age group insured range from ages 40 to 49. The policy cost is \$347 a year, with a 15% down payment with the balance to be paid off in six installment payments during the year. The maximum liability limits per accident are \$3,000 for property damage, \$10,000 for bodily injury or death, and \$20,000 for uninsured motorist bodily injury.

Senate Bill 20 (Escutia) was introduced at the beginning of the legislative session and if accepted will serve to improve the program (copy on file). SB 20 includes the elimination of the two cars per household rule, and a program sunset date of 2006.

Further, at a meeting with DPSS recently, Mr. Bauman presented the program to 50 Managers and volunteered to train staff on the Program to ensue that Calworks, Lifeline and Healthy Families clients are contacted and informed.

In response to Chair Svonkin, Mr. Bauman advised that young agents working in underserved areas can write low-cost auto insurance to establish a client base. Also, work continues with the Latin Agent Association and American Agents Alliance to identify agents willing to work in the underserved areas.

Mr. Bauman asked for the Commission's support of Senate Bill 20. Chair Svonkin asked for a list of legislation that the Commissioner's office is supporting. Also, Mr. Bauman advised that he will add the Commission to the invite list for activities surrounding Anniversary events; the low-cost auto insurance program was implemented on July 1, 1999 by Senators Speir and Escutia.

Following further discussion, Chair Svonkin thanked Mr. Bauman for his informative presentation on the support given by the Commissioner's office to address the underserved population.

ELECTION OF OFFICERS

This item was deferred to the next meeting.

HOLOCAUST INSURANCE UPDATE

Chair Svonkin reported that he forwarded a letter on behalf of the Commission to Governor Schwarzenegger, urging him to weigh in on the Holocaust Insurance Issue. The Governor has yet to respond; another letter will be submitted forthwith.

COMMITTEE AND TASK FORCE UPDATES AND PLANNING

Commissioner Callagy reported that he received an e-mail from Joel Fox, President, Small Business Action Committee (SBAC), on workers' compensation insurance rates and their reduction of about 14% to 16% in the last six months.

MATTERS NOT ON POSTED AGENDA (To be placed on the agenda for discussion at a future meeting)

Chair Svonkin requested the discussion of a press release announcing the five year anniversary of the low-cost insurance program.

Discussion ensued to implement an Awards program and establish criteria for outstanding service.

PUBLIC COMMENT

Pete Moraga, Insurance Information Network of California, commented on the low-cost auto insurance and volunteered to help the Commission promote the Awards program for Outstanding Service. Chair Svonkin complimented Mr. Moraga on his efforts to inform consumers of their policy coverage for damages during the recent rains.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:05 a.m.

ATTENDANCE

Staff

B. Eugene Romig, Executive Office, Board of Supervisors
Twila P. Kerr, Executive Office, Board of Supervisors

Guests

Mary Callagy
Mike Halbin
Pete Moraga